

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

TO THE BOARD OF TRUSTEES XYZ HOSPITAL

We have performed the procedures described below, which were agreed to by the Board of Trustees of XYZ Hospital and the New York State Department of Health - Office of Health Systems Management, solely to assist XYZ Hospital comply with subdivisions (9) and (12) of section 2807-k of the New York State Public Health Law. This engagement to perform agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The criteria for determining sample size were as follows:

INPATIENT: .2% of annual discharges during 2005 but not less than 25 or greater than 100, with approximately 50% of such accounts being self-pay.

OUTPATIENT: One day of average daily visits during 2005 but not less than 25 or greater than 100. Where necessary, additional days were selected until the minimum sample size of 25 was reached. The sample chosen must reflect the percentage relationship of emergency room visits to other outpatient visits. In addition, if the sample is other than one day of visits, the sample must not have a lower percentage of self-pay than the day itself.

1. Based on the above criteria, we selected _____ inpatients from the year ended December 31, 2005, and _____ outpatients from (the day of) _____, 2005 and performed the procedures described in Steps 1 (a) through (c).
 - a. Examined documentation indicating that the Hospital determined, or attempted to determine, the patient's ability to pay for the service rendered.
 - b. Examined written documentation of requests for payment for services rendered.
 - c. Examined documentation of collection actions taken subsequent to the initial billing noting such actions were within the context of common business practices in the circumstances.

2. Determined that the Hospital records or accounts for amounts collected after write-off as a recovery of bad debts (i.e. netted against current year bad debt expense), not as other revenues, as a contractual allowance adjustment, or as a reduction of another expense account.
3. Examined documentation, for 25 inpatient and 25 outpatient accounts which have been determined to be bad debts (either write-off or reserve) during the years ended December 31, 2004, and December 31, 2005 in order to determine whether the Hospital was consistent and followed common business practices in the circumstances concerning the time period that elapses between initial billing and the determination that an unpaid bill was a bad debt.
4. Determined that the auditor's report on the financial statements of XYZ Hospital for the year ended December 31, 2005, did not contain an exception to generally accepted accounting principles related to bad debt expenses.
5. Through inquiry, ascertain that the Hospital's policy is to charge the NYHCRA surcharge amounts on accounts written-off to the surcharge liability account and not to bad debt expense.

In conjunction with the above procedures, exceptions to procedures one through five are noted below. If there are no exceptions to procedures one through five, a statement of no findings is noted below.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Hospital's bad debt expense for the periods identified. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Hospital: _____

I hereby certify as Chief Fiscal Officer of the _____ Hospital that for the year 2005, except as noted on the reverse side of the page, there were no significant changes in the method and policies of determining the expenses write-off for uncollectible accounts, using either the reserve method, direct write-off method or any combination of both, (including changes in the dollar parameters or in the number of days that elapse from date of service to write off or a combination of both) from that used in the preceding year. Significant changes are defined as those that resulted in an amount of expense write-off which, on an annual basis was greater than 20 percent of the amount that would have been recorded had the changes not been made.

In detailing the exception(s) on the reverse side of this page, I have provided full disclosure of the methods and policies used, their derivation and full explanation of why such changes were made (additional pages are attached if necessary).

SIGNATURE

DATE

TITLE

CFO EMAIL ADDRESS

NAME OF PERSON TO CONTACT

TELEPHONE NUMBER